the first quarter (April-June) of 2001-02 the overall growth in real GDP estimated at 4.4 per cent was lower than 6.1 per cent in the same quarter of 2000-01, but was higher than the growth of 3.8 per cent in the preceding quarter (January-March) of 2000-01. With a view to promoting growth, the broad strategy has been enunciated in the Budget Speech for 2001-02. The Budget for 2001-2002 has provided enhanced central plan outlays for key infrastructure sectors and increased emphasis has been placed on accelerating capital investment expenditure. Besides, Reserve Bank of India on the basis of a review of macro-economic and monetary developments took certain monetary measures keeping in view need for adequate liquidity to meet credit growth and support revival of investment demand consistent with price stability. These measures included further reduction in the bank rate from 7 per cent to 6.5 per cent, rationalization and reduction in the Cash Reserve Ratio for the banking system and reduction in the maximum interest rate chargeable on export credit by 1.0 percentage point for a period of six months with effect from September 26, 2001. These specific measures to stimulate demand in the backdrop of budget strategy are expected to have a favourable impact on growth.

Public spending for boosting sagging economy

991. SHRI P. PRABHAKAR REDDY: Will the Minister of FINANCE be pleased to state:

(a) Whether it is a fact that the Prime Minister told in a meeting of the Advisory Council on Trade and Industry in September, 2001 that. Government would resort to massive public spending in order to boost up the sagging economy;

(b) if so, what is Government's reaction thereto;

(c) whether it is also a fact that members of the Prime Minister's Economic Advisory Council warned Government against runaway expenditure stating that public spending was not the key to the economic revival; and

(d) if so, the steps proposed to be taken to make the economy turn around?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): (a) and (b) The Prime Minister in a meeting of the Advisory Council on Trade and Ir.dustry held on September 7, 2001 emphasized the need for increased public investments in infrastructure and other developmental projects to stimulate the economy. The views and suggestions from various organisations including the Advisory Council on Trade and Industry provide inputs in formulating policies keeping in view the government's broad policy objectives and overall macro-economic situation.

(c) An overwhelming opinion expressed in the meeting of the Economic Advisory Council held on September 10, 2001 did not favour resort to pump priming.

(d) With a view to promoting growth, the broad strategy has been enunciated in the Budget Speech for 2001-02, Besides, the budget for 2001-02 has provided enhanced central plan outlays for key infrastructure sectors and increased emphasis has been placed on accelerating capital investment expenditure. Besides, Reserve Bank of India on the basis of a review of macro-economic and monetary developments took certain monetary measures keeping in view the need for adequate liquidity to meet credit growth and support revival of investment demand consistent with price stability. These measures included further reduction in the bank rate from 7 per cent to 6.5 per cent, rationalization and reduction in the Cash Reserve Ratio for the banking system and reduction in the maximum interest rate chargeable on export credit by 1.0 percentage point for a period of six months with effect from September 26, 2001. These specific measures to stimulate demand in the backdrop of budget strategy are expected to have a favourable impact on growth.